



**Request for City Council Committee Action  
From the Department of Public Works**

Date: February 21, 2002

To: Transportation and Public Works Committee

Referral to: Ways and Means Committee

**Subject:** Memorandum of Understanding Regarding an Interim Water Purchase Agreement with the Joint Water Commission

**Recommendation:**

Authorize the proper City Officials to enter into a Memorandum of Understanding with the Joint Water Commission for an interim water rate increase effective February 1, 2002.

**Previous Directives:**

(Any past Council actions or directions to staff)

Prepared or Submitted by: Adam J. Kramer, Director Water Works ext. 2418

Approved: David J. Sonnenberg, P. E., City Engineer, Director of Public Works

By: Adam J. Kramer 

Presenters in Committee: Adam J. Kramer, Director Water Works

**Financial Impact** (Check those that apply)

☐ No financial impact - or - Action is within current department budget.

(If checked, go directly to Background/Supporting Information)

☐ Action requires an appropriation increase to the Capital Budget

☐ Action requires an appropriation increase to the Operating Budget

☐ Action provides increased revenue for appropriation increase

☐ Action requires use of contingency or reserves

☒ Other financial impact (Explain): **Increase in revenue to the Minneapolis Water Works**

☐ Request provided to the Budget Office when provided to the Committee Coordinator

**Community Impact** (use any categories that apply)

Neighborhood Notification

City Goals

Comprehensive Plan

Zoning Code

Other

February 21, 2002  
Transportation and Public Works Committee

**Subject:** Memorandum of Understanding Regarding an Interim Water Purchase Agreement with the Joint Water Commission

**Background/Supporting Information**

The Water Works has been supplying water to the Joint Water Commission, comprised of the Cities of Crystal, Golden Valley and New Hope, since 1962. Minneapolis is the only source of water for these communities.

The Water Works is negotiating a new contract with the Joint Water Commission. The contract with the Joint Water Commission has expired and negotiations have been ongoing. Rather than wait until a final agreement is reached, we are requesting an interim rate increase be implemented effective February 1, 2002, and remain in place until a Water Purchase Contract is executed.

The pricing reflected in the Memorandum of Understanding captures the base plus extra capacity costs and a 7% return on investment. The pricing to the Joint Water Commission using this methodology is 77.78% of the in-city retail rate.

The methodology of Base Extra Capacity prorates the costs to all users, including Minneapolis, for costs related to treatment and delivery of the water. The non-city customers only pay for the part of the distribution system used to transport water to their reservoirs. The suburbs are responsible for the construction and maintenance of their reservoirs and distribution systems. The rate charged to them is based on their share of the treatment and delivery costs, which is 77.78% of the Minneapolis in-city rate. The rates to the suburbs increase as the Minneapolis rate increases since they are tied to a percent of the Minneapolis rate; thus they also share all future capital costs.

Attached is a copy of the existing rate structure. The structure is a declining rate meaning that the more water that is purchased the cheaper it is. This is not beneficial to Minneapolis from an economic or conservation perspective. The proposed interim and subsequently final rate is recommended to be a flat rate charge (i.e. same price for every unit of water purchased).

SEE ATTACHMENT FOR COPY OF MEMORANDUM OF UNDERSTANDING

This Memorandum of Understanding is entered into this 1<sup>st</sup> day of February, 2002 by and between the Joint Water Commission ("JWC") and the City of Minneapolis ("City").

### RECITALS

WHEREAS, the Cities of Golden Valley, New Hope, and Crystal have established the JWC as a wholesale water purchasing partnership to store treated water for distribution and resale to each of its member cities.

WHEREAS, the City has sufficient capacity in its water treatment and transmission facilities to meet the wholesale water demands of the JWC.

WHEREAS, the City is planning to upgrade its treatment facilities using advanced membrane technology to meet water quality regulations and the JWC will directly benefit from these capital improvements.

WHEREAS, the JWC has previously purchased water for the City under the terms of a 1963 agreement and both parties are desirous of renewing it under mutually agreeable terms.

WHEREAS, both parties recognize that obtaining the necessary reviews and approvals of a long-term treated water purchase agreement may take several months.

WHEREAS, both parties have agreed to interim terms and conditions until such an agreement is finalized.

### MEMORANDUM OF UNDERSTANDING

NOW, THEREFORE, to provide for the continued purchase of treated water from the City by the JWC during an interim period until a final Water Purchase Agreement is executed, the parties agree as follows:

1. Term, The term of this Memorandum of Understanding shall commence as of the date set forth above and terminate on the earlier of December 31, 2002 or on the date upon which a final Water Purchase Agreement is executed. At either party's sole option, this Memorandum of Understanding may be extended to the earlier of December 31, 2003 or on the date upon which a final Water Purchase Agreement is executed.
2. Rate, The JWC agrees to pay \$1.41 per hundred cubic feet ("HCF"), equivalent to \$1.89 per thousand gallons, for water delivered by the City to JWC storage reservoirs on or after February 1, 2002. Payments will be made monthly in accordance with past practices.
3. Rate Increases, The City agrees to finance any amounts between \$1.41 per HCF and 77.78 percent of the current rate charged by the City to its inside-city, retail customers at an interest rate not to exceed 6.00 percent per annum. The terms of the financing shall be reflected in the final Water Purchase Agreement.
4. Diligence, The parties agree to work diligently to execute a Long-Term Water Purchase Agreement under mutually agreeable terms.

IN WITNESS WHEREOF, the parties have executed this Memorandum of Understanding as of the day and year written above.

JOINT WATER COMMISSION

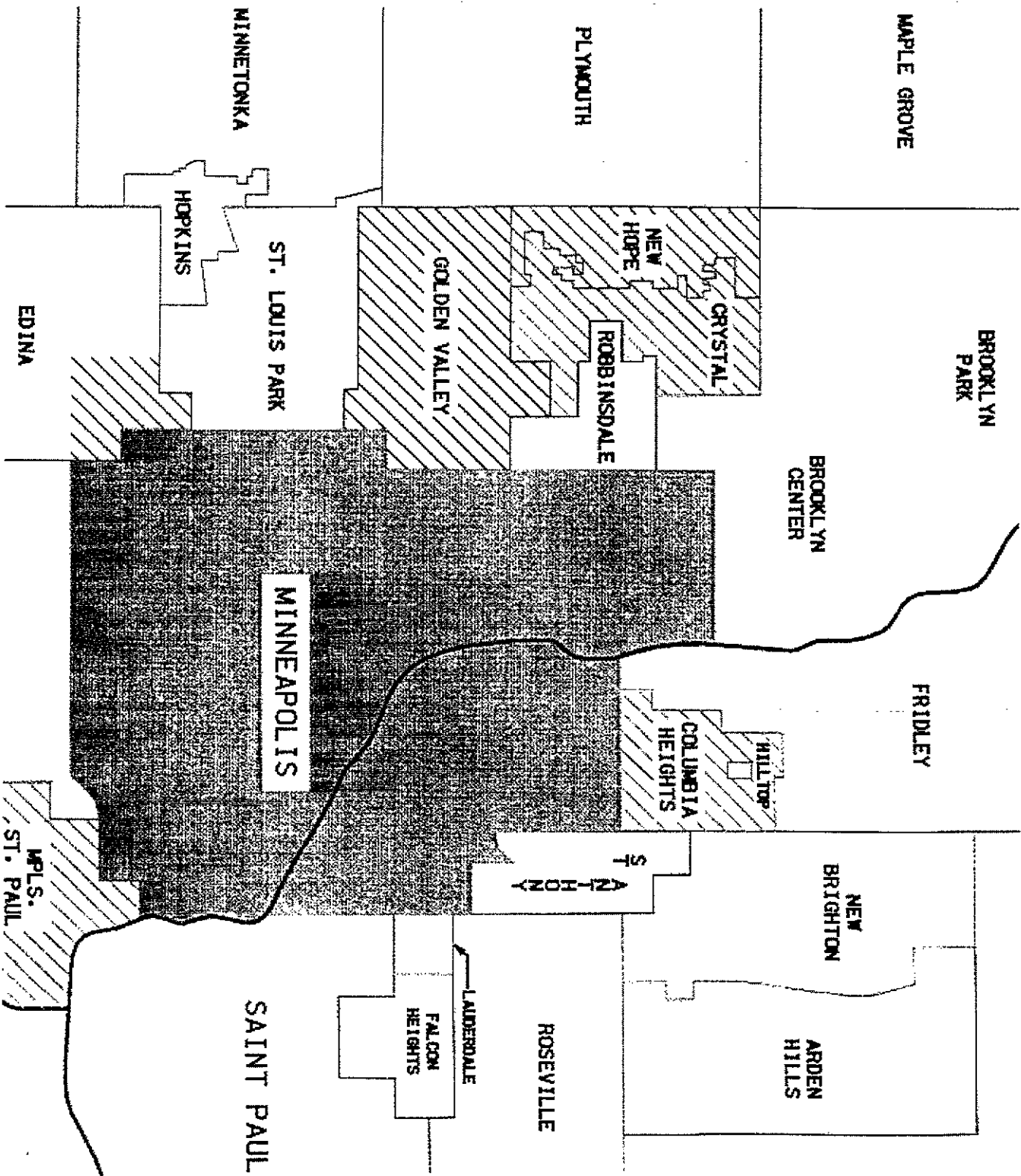
CITY OF MINNEAPOLIS

By \_\_\_\_\_

By \_\_\_\_\_

Title \_\_\_\_\_

Title \_\_\_\_\_



January 3, 2002

City of Golden Valley  
7800 Golden Valley Rd  
Minneapolis, MN 55427-4588

City of Golden Valley  
Subject: 2002 Water Rates

Effective with utility billings for water meters read from and after January 1, 2002, the meter rates for water are hereby fixed and shall be collected as follows:

**CITY OF GOLDEN VALLEY WATER STEP RATES**

- STEP 1: The charge for the first 4,000 units is \$2.487500 per unit. Any consumption used that is less than or equal to 4,000 units is charged at \$2.487500 per unit.
- STEP 2: The charge for the next 21,000 units (25,000 units total) is \$1.990000 per unit plus \$9,950.00 (the first 4000 units @ \$2.487500 per unit).
- STEP 3: The charge for the next 45,000 units (70,000 units total) is \$1.094500 per unit plus \$51,740.00 (\$9,950.00 for the first 4,000 units @ \$2.487500 per unit plus \$41,790.00 for the next 21,000 units @ \$1.990000 per unit).
- STEP 4: The charge for the next 60,000 units (130,000 units total) is \$ .995000 per unit plus \$100,992.50 (\$9,950.00 for the first 4,000 units @ \$2.487500 per unit plus \$41,790.00 for the next 21,000 units @ \$1.990000 per unit plus \$49,252.50 for the next 45,000 units @ \$1.094500 per unit).
- STEP 5: The charge for all units over 130,000 units is \$ .796000 per unit plus \$160,692.50 (\$9,950.00 for the first 4,000 units @ \$2.487500 per unit plus \$41,790.00 for the next 21,000 units @ \$1.990000 per unit plus \$49,252.50 for the next 45,000 units @ \$1.094500 per unit plus \$59,700.00 for the next 60,000 units @ \$.995000 per unit).

Sincerely,

Ray Morales  
Manager Utilities Billing